MAY 5 1982

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BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

COMPLETED ORIGINAL

Status Of Major Acquisitions As Of September 30, 1981: Better Reporting Essential To Controlling Cost Growth

SUMMARY

As of September 30, 1981, the estimated cost of 802 major acquisitions was about $647.5 billion; 465 of these projects increased about $257.5 billion over the earlier estimates.

Cost growth on major defense and civil acquisitions has been a continuing problem and of considerable concern to the Congress.

Accurate information on the status of major acquisitions would provide a first step for measuring progress and early identification of real and potential problems.

MASAD-82-24
APRIL 22, 1982

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COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

STATUS OF MAJOP ACQUISITIONS AS OF SEPTEMBER 30, 1981: BETTER REPORTING ESSENTIAL TO CONTROLLING COST GROWTH

D I G E S T

Cost growth of major Federal acquisitions has been a longstanding problem and is a major reason for GAO preparing annual financial status reports. The first combined defense and civil acquisitions status report, issued in 1976, showed 585 major Federal acquisitions were estimated to cost $404 billion at completion--an increase of $148 billion over earlier estimates. Subsequent status reports have shown that major acquisitions continue to experience substantial cost growth each year. In 1981 GAO reported that 1,040 major acquisitions were estimated to cost $776.6 billion at completion--an increase of $325.8 billion over earlier estimates. (See p. 1.)

This year's data was collected on 802 projects. The reduction in the number of projects is due primarily to GAO's raising dollar thresholds for reporting. Further, for this report, the 802 projects were separated into two categories: 486 acquisitions for Federal ownership and use and 316 grant acquisitions. Grants are treated separately since they are not for Federal ownership and use. (See p. 2.)

Previous status reports contained primarily cost data. However, this report includes scheduling and quantity status in addition to cost data. This change in scope was prompted by congressional interest in obtaining better status reporting to assist in controlling cost growth, and GAO's past concerns over the need for better disclosure to the Congress. (See pp. 2 to 5.)

FINDINGS

All program statistics in this report were supplied by the Federal departments and agencies, and GAO did not validate the data for accuracy. Also, many agencies were unable to provide all the data requested and, as a result, the completeness of the data varies from agency to agency and from project to project. (See p. 2.)

The agencies' cost, schedule, and quantity data provided show the initial estimates and planning data provided the Congress and used by agencies vary greatly from current estimates. More specifically, GAO found:

--The cost of 376 projects increased a total of $317.7 billion over the congressional budget estimates, that is, total estimated cost of projects provided the Congress in initial budget justifications. (See p. 7.)

--The cost of 465 projects increased by $257.5 billion over baseline estimates; that is, the initial congressional budget estimate adjusted for changes in scope. (See p. 9.)

--Schedule data provided for 170 projects showed 139 slipped their completion dates by more than 6 months. The extent to which this contributed to cost growth could not be determined from the data provided. (See p. 9.)

--Quantity data provided for 146 projects showed 57 had variances in excess of 25 percent. The extent to which these variances contributed to cost growth could not be determined from the data provided. (See p. 11.)

Over the years, GAO has reported on the problem of cost growth, the need to improve existing reporting systems, and the need for establishing a reporting system to include all major civil acquisitions and those major defense programs not on the Department of Defense's (DOD's) Selected Acquisition Reporting (SAR) system. Appendix VII contains a list of these reports and a synopsis of their conclusions. (See pp. 4 and 5.)

DOD and the National Aeronautics and Space Administration periodically report information on the status of selected major acquisitions to the Congress. Additional cost growth reporting requirements were placed on DOD in the DOD Authorization Act, 1982, Public Law 97-86. At this time, there is no standardized reporting system to periodically record the status of major civil programs. However, legislation has been proposed along these lines. GAO, in commenting on this proposed legislation, has supported the need for a civil agency reporting system. (See pp. 3 to 5.)

Congressional concern over cost growth was also evident in generally favorable responses GAO received to a questionnaire on the usefulness of its annual status report which provides status data summarized by agency as well as by project. (See p. 4.)

In summary, cost growth is a continuing problem. Established reporting systems, like SAR in DOD, provide a mechanism for periodically reporting on project status and progress and specific causes of cost, schedule, and performance variances. Such data is not readily available on civil programs and those DOD programs not on SAR. Public Law 97-86 places specific requirements related to cost growth on defense programs included in SAR. There is no such requirement for civil programs. (See pp. 3 to 5.)

MATTERS FOR CONSIDERATION BY THE CONGRESS

The Congress could help minimize cost growth by requiring the agencies to establish a reporting system for major civil acquisitions similar to DOD. This would provide a first step for measuring progress and early identification of real and potential problems. (See p. 14.)

The Congress should consider requiring the executive branch to submit an annual status report to them along the same lines as this report. GAO believes such reporting is an executive branch responsibility and should be placed under the guidance and direction of the Office of Management and Budget. In providing guidance and direction to agencies, the Office of Management and Budget should be alert to improving the accuracy of estimating and planning data supplied by various agencies. GAO's function would then become one of reviewing the report to determine that it meets the needs of the Congress. (See p. 14.)

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GAO did not get official comments on this report because it primarily provides summary status information on major systems provided by the agencies concerned.

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ABBREVIATIONS

DOD	Department of Defense
GAO	General Accounting Office
NASA	National Aeronautics and Space Administration
SAR	Selected Acquisition Reporting